

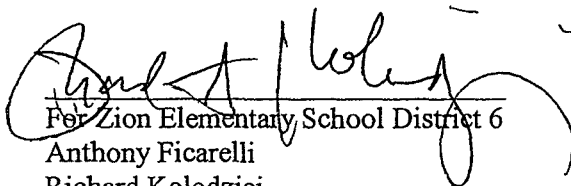
By reviewing the Form 471 filings, District 6 has demonstrated that they were conservative when compared to most other school districts seeking funding from Net56. Furthermore, by demonstrating what all of these other school districts were seeking reimbursement for, District 6 has demonstrated that the cost of the Net56 solution was effective given the market in the Chicago Suburban Area.

IV. CONCLUSION AND PRAYER FOR RELIEF.

Zion Elementary School District 6 requests that USAC overturn the request for remand of all funds disbursed for Funding Years 2006, 2007 and 2008 (July 1, 2005 – June 30, 2006) which was received on February 8, 2012 as against District 6. District 6 relied upon the claimed expertise of Net56 in providing E-Rate eligible equipment and services. District 6 received no "free" services and has demonstrated same with the documents submitted. District 6 additionally attempted to implement a cost-effective strategy in selecting Net56.

District 6 services a low income community and attempted to follow each and every rule and regulation of USAC and the E-Rate process. In contracting with Net56 in 2005, District 6 attempted to provide a better educational environment for its students. Indeed, the E-rate program was designed for school districts just like District 6 to provide better access to the Internet for their students. District 6 respectfully requests that the decision be overturned for the reasons stated and argued above.

Respectfully Submitted,



For Zion Elementary School District 6

Anthony Ficarelli

Richard Kolodziej

Hinshaw & Culbertson, LLP

10 E. Scranton Ave.

Suite 203

Lake Bluff, Illinois 60044

(P) 847-735-0107

(F) 847-735-0309

aficarelli@hinshawlaw.com

rkolodziej@hinshawlaw.com

NETS
 (24) 1048100
 10933
 26/2/07
 104 W. NORTHWEST HIGHWAY, SUITE 100
 PALMISTON, N. COAST
 \$55,760.00
 HARRIS.
 0710256610 35102980 0933 0005576000

933 07/05/07 \$55,760.00

NETS
 (24) 1048100
 12319
 26/2/07
 104 W. NORTHWEST HIGHWAY, SUITE 100
 PALMISTON, N. COAST
 \$167,280.00
 HARRIS.
 0710256610 35102980 2319 0005576000

2319 07/23/09 \$167,280.00

NETS
 (24) 1048100
 12406
 08/14/09
 104 W. NORTHWEST HIGHWAY, SUITE 100
 PALMISTON, N. COAST
 \$80,000.00
 HARRIS.
 0710256610 35102980 2406 0005576000

2406 08/14/09 \$80,000.00

NETS
 (24) 1048100
 12407
 08/17/09
 104 W. NORTHWEST HIGHWAY, SUITE 100
 PALMISTON, N. COAST
 \$87,280.00
 HARRIS.
 0710256610 35102980 2407 0005576000

2407 08/17/09 \$87,280.00



Suite 800
1919 Pennsylvania Avenue, NW
Washington, DC 20006-3401

Paul Hudson
202.973.4275 tel
202.973.4499 fax

paulhudson@dwt.com

July 31, 2012

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th St., S.W.
Washington, DC 20554

Re: CC Docket Nos. 02-6, 96-45, Request for Review by Net56, Inc. of Decisions of the
Universal Service Administrator for

Harrison School District 36: 2007 Funding Year FRNs 1531745, 1531757, 1531771, 1531783,
1531795; 2008 Funding Year FRNs 1753187, 1753238, 1753268, 1753317; 2009
Funding Year FRNs 1852702, 1852749, 1852785, 1852800
Posen-Robbins School District 143 ½ 2009 Funding Year FRNs 1908586, 1908687
Country Club Hills School District 2009 Funding Year FRNs 1853415, 1853424, 1853437
Round Lake Area School District 116, 2009 Funding Year, FRNs 1901504, 1901546, 1901579,
1901630 and 1901654

Net56, Inc. is providing the attached additional documentation to demonstrate the cost-effectiveness of its wide area network (WAN), web hosting, email hosting, and firewall services in the above-referenced appeals. The cost-effectiveness of these prices is demonstrated in two ways. First, Net56 describes the costs that it incurred in providing the services, which afforded it only a modest profit margin. Second, Net56 has provided evidence that Net56's corporate customers paid at least as much or more for the services (as required by the Commission's lowest corresponding price rule). Corporate customers receive no e-rate subsidy so they are price sensitive and would negotiate for the best possible price.

The contracts with the private companies are not public documents and Net56 may still owe a duty of confidentiality to the customer. In addition, some of Net56's cost information as described herein is commercially sensitive and confidential. Net56 takes all reasonable precautions to avoid public disclosure of this confidential information. Accordingly, Net56 has redacted the names of the companies and certain cost information from the public version of this filing and requests that the confidential version provided to Commission staff be designated by the Commission as confidential and not be made routinely available for public inspection, pursuant to Section 0.459 of the Commission's Rules, 47 C.F.R. § 0.459.

Anchorage
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As a preliminary matter, Net56 notes that it is not seeking funding for certain functions that had been included in the contract prices but that USAC held were ineligible.¹ A summary of the adjusted pre-discount prices sought for Commission approval in this proceeding is attached hereto as Exhibit 1. As a second preliminary item, Net56 notes that some of its rates for these districts were reduced in 2010. These reductions do not reflect any admission that prior rates were not cost effective. Instead, the reductions were enabled by the availability of new fiber connectivity options from a new wholesale supplier, and the availability of lower-cost equipment.

Cost Justification Based Upon Net56's Actual Costs

In the attached Exhibit 2, Net56 has provided calculations demonstrating that its rates are cost-effective and did not afford Net56 with any unreasonable margin of profit. Net56 has used formulas previously provided to it by USAC; specifically, Net56 imputed a one-time installation cost of a device as 50% of its purchase price, and annual maintenance costs of another 50% of the purchase price. However, Net56 did not seek to recover all of purchase price or installation costs in the first year of service, even though these services were provided under one-year contracts. Instead, Net56 spread these costs over a projected three-year estimated lifetime of the equipment, a method USAC previously approved.² Net56 also added 11.25% to represent its cost of capital; this percentage is based upon the Commission's rules for rate-of-return carriers,³ which, though not applicable here, can serve as a reasonable proxy. Using these formulas, to reach the adjusted prices sought for approval, Net56 would need to be afforded only approximately 15% of the purchase price to cover all of its other overhead, such as personnel, rent for office and data center space, office expenses, legal fees, electricity and other utilities, insurance, business licenses, taxes, and other expenses.

In theory it may have been possible in some cases for a larger service provider to incur lower costs than Net56 because of access to lower-priced equipment or because of better ability to spread costs over a larger customer base. However, it should be emphasized that, to the best of Net56's knowledge, no such provider offered a lower bid price to any of these districts for any of these services. Given that Net56's prices are reasonably based on its costs and that no other service provider offered these services for a lower price, the Commission could not reasonably conclude that the districts should have chosen a more cost-effective option or that Net56's prices were not cost-effective.

¹ Net56 does not concede ineligibility of that any part of the services for which funding was sought, but forgoes such argument in this proceeding to expedite the Commission's consideration of the appeals.

² USAC approved this formula in multiple appeals in 2010. During the 2010 funding year, USAC initially denied funding for the firewall and WAN services provided to a couple (but not all) of the districts, solely on the basis of cost-effectiveness. Net56 appealed to USAC using formulas described herein, and USAC thereupon granted full funding.

³ *Represcribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 89-624, Order, 5 FCC Rcd 7507 (1990). Net56 recognizes that the 11.25% rate set in 1990 may not reflect the current marketplace. However, Net56's actual overhead costs exceed 15%, so the overall calculation demonstrating cost-effectiveness would not materially be undermined by a reasonable reduction of the cost of capital.

Note Regarding Firewall: Net56 provided substantially the same firewall services to each of these districts, with price varying based upon the size of the customer and its needs. Net56 provided a centralized network-based firewall service using a single, shared architecture for all districts. Net56 used a Cisco Catalyst 6500 Series Switch with High Availability, Supervisor Engine 720 and Application Control Engine (ACE) software. Net56 was able to use this equipment to provide service to multiple districts, and determined that it was more cost effective than providing the schools each with their own Cisco ASA5550-BUN-K9 equipment on each premises. The 6500 series equipment provides a more robust and reliable service.⁴ Because a single device could serve multiple districts, Net56 allocated weighted shares (based upon projected usage) of the \$272,250 purchase cost and associated installation and maintenance costs to each district to demonstrate the cost-basis of its rates. For purposes of the firewall calculations in Exhibit 2, Net56 allocated 24% to Round Lake, 15% to Posen Robbins, and 5% each to Country Club Hills and Harrison. The remainder was allocated to districts not covered in these appeals.

Note Regarding WANs: The WAN pricing represents the cost of the Cisco router(s) needed by the district to utilize Net56's Internet Access services and route such services across their wide area networks. Districts such as Round Lake with multiple locations needed one router for each location on their wide area network where they wished to use the Internet Access services. But even a district with one location, such as Harrison, still needed one router to be able to send and receive Internet services.

Harrison had one Cisco 2800 series router, which cost Net56 \$5,525 plus installation and maintenance. Round Lake had twelve Cisco 3560 series, which cost Net56 \$7,094 each. A more expensive router was needed for Round Lake because of higher bandwidth requirements.

Note Regarding Web and Email Pricing: Net56 provided substantially the same email and web hosting services to each of these districts, using a centralized, network-based architecture. A summary of the approximate costs of this implementation is provided below:

BEGIN REDACTED



END REDACTED

⁴ See http://www.cisco.com/en/US/prod/collateral/modules/ps2706/ps6906/product_data_sheet0900aecd8045861b.html.

Email and hosting services each use roughly the same level of resources for the same customer, so Net56 allocated half of the above costs for each service (which were priced at the same rate for a given district). To demonstrate the cost-basis of its rates, Net56 allocated weighted shares of the above purchase costs and associated installation and maintenance costs to each district, based upon projected usage. For purposes of the email and calculations in Exhibit 2, Net56 allocated the purchase costs as follows: 14% each to Round Lake, Posen Robbins, and Country Club Hills, and 7% to Harrison (in each case, half to email and half to hosting). The remainder was allocated to districts not covered in these appeals. These allocations are not the same as firewall because usage of email and hosting are keyed to different usage factors than firewall, which is more a function of Internet bandwidth.

Least Corresponding Price

Net56 has provided comparable services to only a small number of corporate customers, so it only has limited information to provide to the Commission to show its compliance with the lowest corresponding price rule. However, the attached agreements show that total e-rate contract prices that Net56 provided to the districts were lower than the amounts that it charged to its corporate customers.⁵

In these cases, USAC had disputed the cost-effectiveness of Net56's charges for a wide area network (WAN), web hosting, email hosting, and firewall services. Net56's corporate customers would be expected to have been more sensitive to price since they were not receiving any e-rate discount. In some cases the services provided to the districts do not exactly match the services ordered by corporate customers, but Net56 believes that the data below generally demonstrates the cost-effectiveness of Net56's e-rate prices.

Company A [REDACTED -]

Net56 entered into the confidential agreement, the pricing portion of which is attached as Exhibit 3, to provide firewall, web hosting and email hosting services, at the following prices:

WAN	\$1295/month
Web Hosting	\$2500/month
Email Hosting	\$3500/month
Firewall	\$995/month

Net56's prices for WAN, email hosting and web hosting services were equal to or more than the prices it charged the school districts that are the subjects of these appeals. The firewall price is lower, but that is because the firewall requirements for this customer, which had approximately 10-15 employees, were not nearly as comprehensive as the requirements for the school districts. The customer's operations generated significantly less data traffic and, for example, involved

⁵ The e-rate appeals are from periods up to five years ago and Net56 was unable to locate signed copies of the commercial agreements. It has therefore provided unsigned agreements from its files and an affidavit from Net56's CEO attesting to their authenticity and that Net56 in fact provided such services at the prices set forth therein.

Marlene H. Dortch
July 31, 2012
Page 5

many fewer end users that were supported by the Harrison service (which supported more than 1000 students, parents, faculty and administrators).

Company B [REDACTED -- [REDACTED] ⁶]

Net56 entered into the confidential agreement attached as Exhibit 4 to provide web hosting and email hosting service at a bundled price of \$15,950/month. Net56's service for this customer included 12 servers, equating to a per server price of approximately \$1,329/month. The hosting services Net56 provided to the Harrison School District involved three email and three web hosting servers, for a total of six servers. Therefore, the \$5,000 total price for Harrison (\$833 per server) is substantially less than what this corporate customer would have paid for similar hosting services utilizing 6 servers.

Company C [REDACTED -- [REDACTED]]

Net56 entered into the confidential agreement attached as Exhibit 5 to provide Internet Gateway service, a branded term that included VPN services, firewall services, and Internet access services at a bundled price of \$20,000/month. Although this bundled price is not broken down, it is evident that the cost for each service is higher than what Net56 charged to the schools. Net56's service for this customer included 11 servers, equating to a per server price of approximately \$1818 per server, compared to \$833 per server at Harrison. The Company C agreement includes some additional services not included in the school's e-rate agreements, such as consulting services, but these services were not core to the agreement and cannot reasonably be viewed as having doubled the bundled price of the contract.

Therefore, the Commission should find that Net56 has not violated the lowest corresponding price rule or the cost-effectiveness requirement in these cases.

Respectfully submitted,



Paul B. Hudson
Counsel for Net56, Inc.

Attachments

cc: Anita Patankar-Stoll

⁶ See Exhibit 4, page 9 of Lease Line Service Agreement; 2001 Web Hosting Agreement.

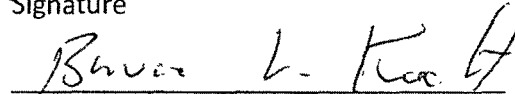
Affidavit of Net56, Inc.

I, Bruce L. Koch, do hereby declare under penalty of perjury as follows:

1. I am President and Chief Executive Officer of Net56, Inc. ("Net56"), an Illinois corporation with its principal place of business at 1254 W. Northwest Highway, Suite 740, Palatine, Illinois 60067.
2. I confirm that the agreements attached to this letter are true and complete copies of the originals they purport to be and that Net56 provided the services described therein at the prices set forth therein.
3. I declare under penalty of perjury that the foregoing is true and correct the best of my knowledge.

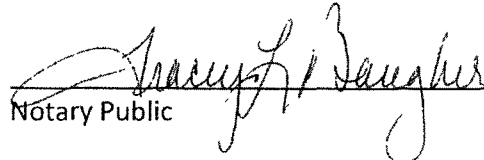


Signature



Printed Name

Sworn and subscribed to before me this 27th day of July, 2012.



Notary Public

My Commission expires on: 11/10/13



Exhibits

CONFIDENTIAL



Dr. John Ahlgrim
Superintendent

Dr. Maurice Byrd
Asst. Supt. for Curriculum & Instruction

Dr. Carol Hincker
Asst. Supt. for Special Services

Richard Terhune
Asst. Supt. for Business

September 22, 2009

Mr. Bruce Koch

Net 56

1266 West Northwest Hwy; Suite 740

Palatine, IL 60067

Re: Zion Elementary School District 6 E-Rate Reimbursement

Dear Bruce:

We thank you for your and Bill's appearance at our District 6 Board of Education meeting last evening. The information you provided did not satisfy the questions the Board presented in regards to the outstanding amount of \$365,086 (to date) we believe should be dispersed to the district.

Specifically, the Board is requesting that you provide the following documentation to support your assertions that Net 56 does not owe the district the \$365,086:

1. The district never requested funds from the SLD for the upgrade to the 100mb internet service. Therefore, please provide any amendments to the agreements, correspondences, or any other form of written communication which authorized Net 56 to provide the upgrade. Further, please provide the same documentation verifying that the district requested Net 56 file e-rate reimbursement from the SLD for the upgrade.
2. As discussed at the meeting, the Board was unaware and surprised that NET 56 unilaterally chose to upgrade to 100mb without specific authority from the Board. Therefore, please provide any and all documentation such as an engineering study that may have been done by NET 56 reflecting that the 100mb was needed by the district.



Dr. John Ahlgrim
Superintendent

Dr. Maurice Byrd
Asst. Supt. for Curriculum & Instruction

Dr. Carol Hincker
Asst. Supt. for Special Services

Richard Terhune
Asst. Supt. for Business

3. Please provide any and all documentation as to the costs associated with the 100 mb upgrade that was incurred by NET with its vendors and/or subcontractors.
4. You stated that the filings to the SLD regarding the upgrade were online and could be accessed by the school district. Our attempts to access forms 471 and the item 21 attachments were fruitless, therefore we will need copies of those filings for the years submitted to the SLD by NET 56.
5. Contrary to your assertions, the Board never agreed to a fixed reimbursement dollar amount of \$13,940 monthly. Additionally, the Board did not agree to defer reimbursement and/or payment for the first eight months of the agreement. The BOE expected to receive reimbursements consistent with the SLD allocations. Please provide documentation supporting NET 56's alleged fixed monthly payment agreement.

We will need the requested documentation on or before Thursday, September 24th to my attention. I thank you for your cooperation, and if you have any questions, please feel free to contact me.

Sincerely,

John P. Ahlgrim, Ed.D.
Superintendent of Schools
Zion Elementary School District 6



Dr. John Ahlgrim
Superintendent

Dr. Maurice Byrd
Asst. Supt. for Curriculum & Instruction

Dr. Carol Hincker
Asst. Supt. for Special Services

Richard Terhune
Asst. Supt. for Business

November 12, 2009

Mr. Bruce Koch
Net 56
1266 West Northwest Hwy; Suite 740
Palatine, IL 60067

Re: Zion Elementary School District 6 E-Rate Reimbursement

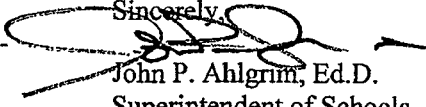
Dear Bruce:

We thank you for meeting with us today to help us better understand your perspective on the history of the contract, and how you perceive the E-rate calculations and reimbursement process.

The following is a summary of the requests that District 6 currently has of NET56:

1. The funding of the 100MB internet service needs further discussion for us to fully understand the payment and/or reimbursement implications for the district. We should identify a date before December 31, 2009 to gain a detailed and common understanding of this service.
2. The 08-09 fiscal year ended on June 30th, 2009, and to date the district has not received any reimbursements that correspond to the \$14000 minimum per month guarantee that was established in the second contract. Please provide reimbursement minimally in the amount of \$168000 on or before December 31, 2009, and/or have other arrangements agreed upon prior to that date.
3. Please submit a chart that differentiates for us the eligible and ineligible services, and accompanying costs, that are covered under the first contract between NET56 and District 6. Please provide this by Monday, November 16th, 2009.
4. Please submit a report detailing the bandwidth utilization in District 6. Please differentiate between bandwidth in, out and between buildings within the district. Please provide this by Monday, November 16th, 2009.
5. Please disburse to Zion School District 6 an amount of \$155,086 to cover the difference between the e-rate funds disbursed to NET56 (\$545,406) on behalf of District 6, and the amount actually turned over to District 6 (\$390,320) for the 05-06, 06-07 and 07-08 school years. (This does not include any additional potential reimbursements that would accompany our conversation regarding the 100 MB internet service.) Please provide this by Monday, November 16th, 2009.

Sincerely,


John P. Ahlgrim, Ed.D.
Superintendent of Schools
Zion Elementary School District 6



Dr. John Ahlgrim
Superintendent

Dr. Maurice Byrd
Asst. Supt. for Curriculum & Instruction

Dr. Carol Hincker
Asst. Supt. for Special Services

Richard Terhune
Asst. Supt. for Business

December 4, 2009

Mr. Bruce Koch
Net 56
1266 West Northwest Hwy; Suite 740
Palatine, IL 60067

Re: Zion Elementary School District 6 E-Rate Reimbursement; Continued Request

Dear Bruce:

I have a meeting with my Board of Education on December 14th, and will need to update them on the status of the requests presented to NET56 by District 6. The following is a summary of the requests that District 6 currently has of NET56:

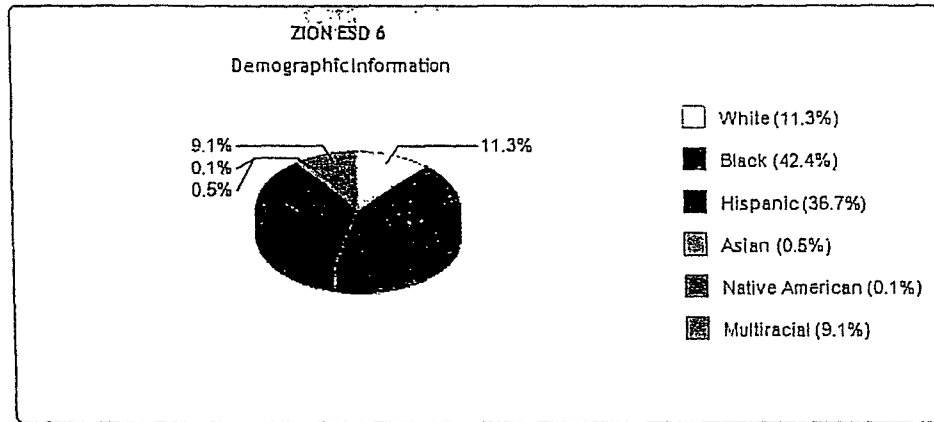
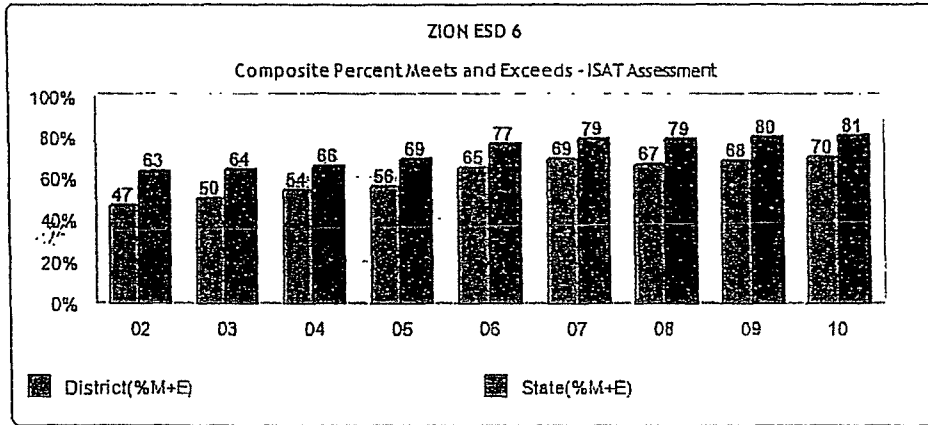
1. The funding of the 100MB internet service needs further discussion for us to fully understand the payment and/or reimbursement implications for the district. We should identify a date before December 31, 2009 to gain a detailed and common understanding of this service.
2. The 08-09 fiscal year ended on June 30th, 2009, and to date the district has not received any reimbursements that correspond to the \$14000 minimum per month guarantee that was established in the second contract. Please provide reimbursement minimally in the amount of \$168000 on or before December 31, 2009, and/or have other arrangements agreed upon prior to that date.
3. Please submit a chart that differentiates for us the eligible and ineligible services, and accompanying costs, that are covered under the first contract between NET56 and District 6. Please provide this immediately, as it was originally requested by Monday, November 16th, 2009.
4. Please submit a report detailing the bandwidth utilization in District 6. Please differentiate between bandwidth in, out and between buildings within the district. Please provide this immediately, as it was originally requested by Monday, November 16th, 2009.
5. Please disburse to Zion School District 6 an amount of \$155,086 to cover the difference between the e-rate funds disbursed to NET56 (\$545,406) on behalf of District 6, and the amount actually turned over to District 6 (\$390,320) for the 05-06, 06-07 and 07-08 school years. (This does not include any additional potential reimbursements that would accompany our conversation regarding the 100 MB internet service.) This particular amount was requested (in my past correspondence) by Monday, November 16th, 2009. Your response to this request was that by the end of November, 2009, you felt you would be able to address this request. That timeframe has passed and District 6 still has seen no effort on your part to address the requested reimbursements. Please provide this amount by December 14th, 2009.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Ahlgrim".

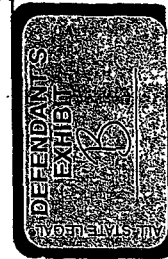
John P. Ahlgrim, Ed.D.
Superintendent of Schools
Zion Elementary School District 6

All Tests ISAT IAA



County: Lake

Suburb: Large



Administrator
Dr. John Ahlgrim
2200 Bethesda Blvd
Zion IL 60099
(847)872-5455

Avg. Teacher Salary: \$64,447

Avg. Teacher Experience: 13.4 Years

Instructional Expenditure Per Pupil (2008-09): \$6,364

Operational Expenditure Per Pupil (2008-09): \$10,141
Low Income: 75%

District 6

<p>STATE OF ILLINOIS)) SS: COUNTY OF LAKE)</p> <p>IN THE CIRCUIT COURT OF THE NINETEENTH JUDICIAL CIRCUIT, LAKE COUNTY, ILLINOIS ZION ELEMENTARY SCHOOL) DISTRICT 6,)</p> <p>Plaintiff,))) vs.) No. 10 L 627)) NET56, INC.,))) Defendant.)</p> <p>The deposition of</p> <p>_____ WILLIAM JOSEPH SPAKOWSKI, JR. JUNE 29, 2011</p> <p>Reported by: Shari L. Szerbat, CSR, RPR</p> <p>Page 1</p>	<p>1 INDEX 2 PAGE 3 WITNESS: WILLIAM JOSEPH SPAKOWSKI, JR. 4 EXAMINATION BY: MR. KOLODZIEJ 4 5 MR. BARTLETT 159 6 MR. KOLODZIEJ 172 7 8</p> <p>9 EXHIBITS 10 NUMBER PAGE 11 1 PowerPoint Presentation 74 12 2 E-mail 89 13 3 E-mail 97 14 4 E-mail 98 15 5 E-mail 100 16 6 E-mail 102 17 7 E-mail 105 18 8 Board Action Requested 107 19 9 Internet Access Quote 109 20 10 E-mail 117 21 11 9-22-09 Letter 120 22 12 E-mail 130 23 13 E-mail 131 24 14 E-mail 137 15 15 Five-year IT comparison 144 16 16 E-Rate P1 Quotes 163 17 17 E-mail 164 18 18 Master Service Agreement 167 19 20 21 22 23 24</p> <p>Page 3</p>
<p>1 The deposition of WILLIAM JOSEPH 2 SPAKOWSKI, JR., taken before SHARI L. SZERBAT, 3 CSR, RPR, on June 29, 2011, at the hour of 10:12 4 a.m., at 10 East Scranton Avenue, Suite 203, 5 Lake Bluff, Illinois 60044. 6</p> <p>7 APPEARANCES: 8 MR. RICHARD S. KOLODZIEJ, of the Law Offices of 9 HINSHAW & CULBERTSON, LLP 10 10 East Scranton Avenue, Suite 203 11 Lake Bluff, Illinois 60044 12</p> <p>13 -and- 14</p> <p>15 MR. ANTHONY R. FICARELLI, of the Law Offices of 16 HINSHAW & CULBERTSON, LLP 17 4343 Commerce Court, Suite 415 18 Lisle, Illinois 60532 19 appeared on behalf of the Plaintiff; 20</p> <p>21 MR. AUSTIN W. BARTLETT and 22 MR. RYAN NERI, of the Law Offices of 23 ADLER MURPHY & McQUILLEN, LLP 24 One North LaSalle Street, Suite 2300 Chicago, Illinois 60602</p> <p>-and- MR. NEIL M. ROSENBAUM, of the Law Offices of FUNKHOUSER VEGOSEN LIEBMAN & DUNN, LTD 55 West Monroe Street, Suite 2300 Chicago, Illinois 60603 appeared on behalf of the Defendant.</p> <p>Page 2</p>	<p>1 (Witness sworn.) 2 WILLIAM JOSEPH SPAKOWSKI, JR., 3 called as a witness herein, having been first 4 duly sworn, was examined and testified as 5 follows: 6 EXAMINATION 7 BY MR. KOLODZIEJ: 8 Q. Can you please just state your name 9 for the record? 10 A. William Joseph Spakowski, Jr. 11 Q. And can you just spell your last 12 name for the record? 13 A. Sure. S, as in Sam, P, as in Peter, 14 a-k-o-w-s-k-i. 15 Q. Have you ever given a deposition 16 before? 17 A. No. 18 Q. Okay. I'm sure your attorneys have 19 already reviewed some of the ground rules with 20 you. I'm just going to kind of refresh them a 21 little bit here. 22 Obviously, there's a court 23 reporter sitting across from us, next to us, and 24 she's taking down everything everybody says, so</p> <p>Page 4</p>



<p>1 the key to that is what we say. The court</p> <p>2 reporter cannot take down a nod of the head,</p> <p>3 shrug of the shoulders. They -- so all your</p> <p>4 answers have to be out loud and in words.</p> <p>5 Okay?</p> <p>6 A. Understood.</p> <p>7 Q. Also, I would suggest that you do</p> <p>8 your best, and occasionally I might even correct</p> <p>9 you. It's common for people to say things like</p> <p>10 um-hmm and uhn-uhn in their normal conversation</p> <p>11 and that's fine. I understand what you mean,</p> <p>12 but when you write it, in terms of the court</p> <p>13 reporter, we're not necessarily sure what that</p> <p>14 was.</p> <p>15 So if you do say something like</p> <p>16 um-hmm or uhn-uhn, number one, try to avoid it,</p> <p>17 and number two, if I go and correct you and say</p> <p>18 something like, is that a yes, is that a no, I'm</p> <p>19 not trying to be difficult or anything like</p> <p>20 that. I'm just trying to make sure that the</p> <p>21 record is clear.</p> <p>22 Do you understand?</p> <p>23 A. Understood.</p> <p>24 Q. Okay. During the course of this</p> <p style="text-align: right;">Page 5</p>	<p>1 Net56 in the near future?</p> <p>2 A. No.</p> <p>3 Q. How long have you lived at that</p> <p>4 address in Fox River Grove?</p> <p>5 A. Seven years.</p> <p>6 Q. And who do you live there with?</p> <p>7 A. My wife, my daughter and my</p> <p>8 mother-in-law.</p> <p>9 Q. Okay. Let's talk about your</p> <p>10 daughter first. How old is your daughter?</p> <p>11 A. My daughter's 12.</p> <p>12 Q. Okay. So she's not employed or</p> <p>13 anything like that other than going to school?</p> <p>14 A. Correct.</p> <p>15 Q. And your wife, what is her name?</p> <p>16 A. Diane.</p> <p>17 Q. And it's Spakowski?</p> <p>18 A. Yes.</p> <p>19 Q. Did I say that correctly?</p> <p>20 A. Yes, you did.</p> <p>21 Q. Okay. And what does she do for a</p> <p>22 living?</p> <p>23 A. She is the accounting manager for</p> <p>24 Grayslake School District, the high school</p> <p style="text-align: right;">Page 7</p>
<p>1 deposition, it's very likely that I'm going to</p> <p>2 ask a question that absolutely makes no sense to</p> <p>3 you whatsoever. If that happens, please let me</p> <p>4 know. Feel free to say, hey, I did not</p> <p>5 understand your question. I'll go ahead and</p> <p>6 then rephrase the question.</p> <p>7 Also, of course, you have the</p> <p>8 right to turn to the court reporter and ask for</p> <p>9 the court reporter to read the question back for</p> <p>10 you, so that's another possibility that you</p> <p>11 have. But if you do answer a question, we're</p> <p>12 going to assume then that you understood the</p> <p>13 question.</p> <p>14 Okay?</p> <p>15 A. Yes, sir.</p> <p>16 Q. All right. What is your current</p> <p>17 address?</p> <p>18 A. 607 Thackeray Lane, Fox River Grove,</p> <p>19 Illinois. Would you like the zip code?</p> <p>20 Q. I don't think that's necessary. Do</p> <p>21 you have any -- you currently work for Net56,</p> <p>22 true?</p> <p>23 A. Correct.</p> <p>24 Q. Do you have any plans of leaving</p> <p style="text-align: right;">Page 6</p>	<p>1 district.</p> <p>2 Q. How long has she done that?</p> <p>3 A. Been in accounting or been with</p> <p>4 Grayslake?</p> <p>5 Q. Been with Grayslake.</p> <p>6 A. Since I'm going to say around</p> <p>7 January, give or take.</p> <p>8 Q. Of this year?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. Is she an accountant?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And how long has she been an</p> <p>13 accountant for?</p> <p>14 A. Since I've known her, which has been</p> <p>15 approximately 16 years.</p> <p>16 Q. Okay.</p> <p>17 A. Don't ask me my anniversary.</p> <p>18 Q. I have a funny story about me asking</p> <p>19 somebody that question at a deposition and the</p> <p>20 wife finding out and getting very, very mad at</p> <p>21 the husband, so I try not to ask that question</p> <p>22 anymore.</p> <p>23 Has your wife worked for any</p> <p>24 other school districts?</p> <p style="text-align: right;">Page 8</p>

2 (Pages 5 to 8)

<p>1 A. Yes.</p> <p>2 Q. What other school districts has she</p> <p>3 worked for?</p> <p>4 A. Deerfield Elementary District, Cary</p> <p>5 Elementary District, Arlington Heights</p> <p>6 Elementary District.</p> <p>7 Q. You know approximately from when to</p> <p>8 when she was working at Deerfield?</p> <p>9 A. Until January. I'm not quite sure</p> <p>10 of the start date.</p> <p>11 Q. Just approximately how many years?</p> <p>12 A. Say four.</p> <p>13 Q. And that was her last -- her last</p> <p>14 employment was with Deerfield?</p> <p>15 A. Correct.</p> <p>16 Q. And would it be fair then to state</p> <p>17 that the prior one to that was Cary?</p> <p>18 A. Yes. I gave you the correct order.</p> <p>19 Q. Excellent. And how long did she</p> <p>20 work for Cary?</p> <p>21 A. Six months.</p> <p>22 Q. And how about Arlington Heights?</p> <p>23 A. A year or two. I don't recall --</p> <p>24 Q. Okay.</p> <p style="text-align: right;">Page 9</p>	<p>1 this way: Have your duties essentially remained</p> <p>2 the same from October of '03 until today?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. The titles may have changed?</p> <p>5 A. Correct.</p> <p>6 Q. Okay. And just maybe can you tell</p> <p>7 me what are your job duties?</p> <p>8 A. Primary job duty is prospecting,</p> <p>9 developing new sales followed up by customer</p> <p>10 relations and customer management.</p> <p>11 Q. I want to talk about both of those</p> <p>12 things. I'm going to come back to them. Prior</p> <p>13 to your working with Net56, did you ever work</p> <p>14 for any school districts?</p> <p>15 A. No.</p> <p>16 Q. And tell me a little bit about your</p> <p>17 education.</p> <p>18 A. I went to junior college at</p> <p>19 Cortland, and I was in criminal justice.</p> <p>20 Q. Did you receive like an associate's</p> <p>21 degree?</p> <p>22 A. No.</p> <p>23 Q. When did you approximately -- what</p> <p>24 year or approximately how long ago did you enter</p> <p style="text-align: right;">Page 11</p>
<p>1 A. -- exactly.</p> <p>2 Q. Deerfield Elementary, is that a</p> <p>3 school district that Net56 currently provides</p> <p>4 some type of information, technology, IT</p> <p>5 services to?</p> <p>6 A. Yes.</p> <p>7 Q. What about the Cary Elementary</p> <p>8 District?</p> <p>9 A. Never.</p> <p>10 Q. And how about Arlington Heights?</p> <p>11 A. Never.</p> <p>12 MR. KOLODZIEJ: Off the record for a</p> <p>13 second.</p> <p>14 (Discussion off the record.)</p> <p>15 BY MR. KOLODZIEJ:</p> <p>16 Q. Now, how long have you been with</p> <p>17 Net56?</p> <p>18 A. I started in October of '03.</p> <p>19 Q. And what is your current job title?</p> <p>20 A. Solution sales.</p> <p>21 Q. And have you held that same title</p> <p>22 since October of '03? Let me ask you this: I</p> <p>23 see you look -- that might be difficult.</p> <p>24 Let me try to ask the question</p> <p style="text-align: right;">Page 10</p>	<p>1 the workforce?</p> <p>2 A. '82.</p> <p>3 Q. And when you first started working</p> <p>4 in 1982, who did you work for?</p> <p>5 A. United States Air Force.</p> <p>6 Q. How long were you in the Air Force</p> <p>7 for?</p> <p>8 A. Three years, nine months, few days.</p> <p>9 Q. What did you do for the Air Force?</p> <p>10 A. I was in charge of on-base</p> <p>11 billeting.</p> <p>12 Q. On-base?</p> <p>13 A. Billeting.</p> <p>14 Q. Billeting, what does that mean?</p> <p>15 A. I'm trying to think of the right way</p> <p>16 to phrase it. It is really the on-base hotel</p> <p>17 for temporary assignment. Active duty military</p> <p>18 will come into a base. They'll be assigned</p> <p>19 there for a short term. It's really on-base</p> <p>20 housing for -- like a hotel.</p> <p>21 Q. Okay. And that was pretty much your</p> <p>22 role for the entire time you were with the Air</p> <p>23 Force?</p> <p>24 A. Yes.</p> <p style="text-align: right;">Page 12</p>

3 (Pages 9 to 12)

1 Q. How about then after you left the
2 Air Force, what was your next employment?
3 A. Boy, I don't remember the name of
4 the company, but that's where I got into the
5 technology field.
6 Q. Okay. Is the company still in
7 business?
8 A. I have no idea.
9 Q. So this would have been
10 approximately 1985, '86?
11 A. Correct.
12 Q. And do you remember what your
13 position was?
14 A. Sales.
15 Q. And what were you specifically
16 selling?
17 A. Desktop publishing services.
18 Q. How long did you do that for?
19 A. About four years.
20 Q. Okay. So then we're up to about
21 1990?
22 A. Give or take, yes.
23 Q. Okay. And what did you do after
24 that?

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1 A. From Dayton, Ohio to New York, yes.
2 Q. But not from New York to anywhere
3 else?
4 A. No. It was -- I sold out of
5 Rochester in the Midwest, traveled.
6 Q. Okay. How long did you work for
7 Logical Operations?
8 A. Six, seven years I guess. I'm not
9 exactly sure on how long.
10 Q. I understand. I understand.
11 A. I would have brought my resumé. I
12 probably have it typed on that.
13 Q. After those -- after that time with
14 Logical Operations, where did you work next?
15 A. I worked at a small company in
16 Utica, New York, which was Automated Systems,
17 Inc. It was trying to work with someone as
18 their salesperson hoping to, you know,
19 eventually get partnership in the company.
20 Q. And how long did you work with
21 Automated Systems?
22 A. About two years.
23 Q. And what were they selling or
24 making?

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1 A. I got a job with a company called
2 Logical Operations in Rochester, New York.
3 Q. What did Logical Operations do?
4 A. Developed training solutions,
5 instructor-led training products for
6 corporations on how to use computers.
7 Q. And what was your role with them?
8 A. Midwest sales representative.
9 Q. So did your -- you weren't required
10 to relocate to Rochester, New York, or were you
11 already --
12 A. I was in the Air Force in Dayton,
13 Ohio.
14 Q. Okay.
15 A. When I got out of the Air Force
16 while I was in the service there, I purchased a
17 home, so I spent about four years with the
18 desktop publishing company in that area.
19 I'm originally from New York, and
20 Logical Operations was a chance to move back to
21 where I not necessarily grew up, but closer to
22 where I grew up and my family.
23 Q. Okay. Did the position of Midwest
24 sales require you to relocate?

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1 A. Network services, training,
2 classroom instructor-led training.
3 Q. When you say network services, what
4 do you mean by that?
5 A. Install a computer network.
6 Q. You then left Automated Systems?
7 A. Correct.
8 Q. And where did you go next?
9 A. MetLife.
10 Q. And where were you located with
11 MetLife?
12 A. It was in the Utica, New York area.
13 Q. And what did you do for MetLife?
14 A. It was a created position.
15 Q. Okay.
16 A. I don't know what to call it. It
17 was -- we'll call it a business analyst. How's
18 that?
19 Q. What were your duties?
20 A. To help the disability insurance
21 group become more productive with technology.
22 Q. So you were kind of training these
23 individuals on how to use technology?
24 A. Yes.

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4 (Pages 13 to 16)